

An aerial photograph of a residential neighborhood, showing houses, streets, and trees. A large, semi-transparent red rectangular area is overlaid on the center of the image, containing the main title and subtitle. The red area has a slightly textured, almost painterly appearance.

# WHAT LIES BENEATH

HOW TO FIX THE BROKEN  
LAND SYSTEM AT THE HEART  
OF OUR HOUSING CRISIS



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## INTRODUCTION AND EXECUTIVE SUMMARY

**H**igh rents. Evictions and insecure tenancies. Millions of families priced out of home ownership. Over a million households on the waiting list for social housing. The effects of our broken housing system are all too obvious.

What is less obvious, but no less broken, is the market which sits beneath the housing market, and drives many of the worst aspects of it. When we talk about high rents, or high house prices, in many ways what we are really talking about is the unaffordability of land.

This problem of unaffordable land is at the heart of the housing crisis. Any solution to the housing crisis will never succeed unless it takes major steps to address our broken land system.

**This briefing reveals new research that shows how excessive land prices, driven by speculation, are making a significant contribution to the housing crisis, and putting up significant barriers to any attempts to solve it.**

**It shows how the housing crisis is most severe in places with high land prices: rents eat up a massive chunk of people's income, and the numbers of homeless people housed in temporary accommodation dwarfs other areas, hitting the poorest most severely. It also shows how these same high land prices systematically stymie**

**attempts to redress the housing crisis, so that the building of affordable homes has plummeted in exactly those places which need them most: those with the highest cost of land.**

The research reveals:

- In places with high land prices average rents swallow up to three quarters of ordinary households' pre-tax income, compared to 20% in places with low land values.
- High land price areas are the hotspots of homelessness. The top 10% of local authorities in terms of land values account for 73% of households in temporary accommodation.
- The top 10% of local authorities in terms of land prices experienced a 70% drop in the numbers of new affordable/ social rent homes between 2011/12 and 2014/15. This compares to a drop of 20% in the rest of England.

A supply of affordable land is crucial to affordable housebuilding, but landowners get to set the price of land at levels which make increasing the supply of affordable homes extremely challenging. Up and down the country communities are paying the price for the enormous amount of power that these landowners have. It is landowners – whose price-setting power earns them billions of pounds in windfall gains – who determine what gets built for communities in their area, and not the other way round. This briefing contains the tools needed to reverse this.

**The report contains five key recommendations, the most essential of which is an end to the present public land sale, in which public land – often in places with high land values – is being sold to the highest bidder. Our research shows the programme is only delivering 20% affordable homes, and 6% social rent on former public land. Instead of being sold off, public land should be put to the service of long-term public good. It**

**should form the basis for a People’s Land Bank, to be used strategically in partnership with communities to meet their needs for affordable housing, and supplemented by private sector land bought at a fairer price (existing use value), which enables the benefits of land value to be shared.**

The other recommendations are as follows:

1. Following Scotland, establish an English Land Commission to identify policies needed for a more equitable distribution of land, and land values, and a fairer land system.
2. Close the viability loophole which enables developers to evade affordable housebuilding, and use the planning system to deliver more affordable housing.
3. Implement taxation mechanisms to redistribute unfair gains which accrue to landowners through public investment and land value increases.
4. Increase non-private ownership of land through collective democratic ownership. This could take the form of public or community ownership models.

## **EXECUTIVE SUMMARY**

### **LAND FEVER – HOW LAND SPECULATION DISTORTS OUR HOUSING SYSTEM**

Variation in land prices is largely determined by location. Land prices rise with public, private and community investment in an area (the new train line/place of work, for instance). And in the UK, landowners have an excessive, unaccountable form of control, so rising values accrue almost entirely to them.

Speculation in the UK housing market, often fuelled with easy credit, has pushed

up house prices and land prices. The main buyers of big pieces of land – big property developers – have exacerbated the inflation of land prices. Developers offer high prices for land, on the assumption that they can build expensive, private market homes and very little affordable housing. Homes are often designed and marketed with landlords and speculative investors, not occupiers, in mind, and drip-fed onto the market, to keep prices high. And landowners sell to the highest bidder – those developers most willing to aggressively cut costs. The consequence is that, as land acquisition is usually the largest cost in new house building, the price developers pay determines much of what gets built. Expensive land means expensive homes.

Property developers also take out ‘options’ on a piece of land – keeping it off the market, constraining the supply of land, and further inflating prices.

As land and house prices rise, speculation on land and housing as investments, not homes, grows. Capital floods in from individuals and investors and prices rise even further.

This speculation-driven market makes clear that instead of community need dictating what gets built on a site, land prices dictate what the wider community gets from development. Higher land prices push out socially useful uses of land, like affordable housing.

### **HOW UNAFFORDABLE LAND DRIVES THE HOUSING CRISIS, AND STYMIES ATTEMPTS TO SOLVE IT**

As job prospects and incomes in a local area improve, land values increase and housing hardship for those on low to middle incomes almost inevitably increases. Our new research shows that in places with high land prices average rents swallow up to three quarters of ordinary households pre-tax income, compared to 20% in places with low land values.

In those areas, buying a home is simply

unaffordable for those on middling incomes. They remain private renters, increasing demand for renting, with severe knock-on effects for low-income households who can no longer afford rents. Homelessness is therefore highest in areas with high land prices. The top 10% of local authorities in terms of land prices account for 73% of households in temporary accommodation.

High land prices are also stymieing attempts to fix the problem. Our research shows that between 2011/12 and 2014/15, the top 10% of local authorities in terms of land prices experienced a 70% drop in the numbers of new affordable/social rent homes. This compares to a drop of 20% in the rest of England. The building of affordable homes has plummeted in exactly those places which need them most.

Behind this massive decline are policy choices that have led to a greater dependence on private developers for housebuilding. These developers take advantage of the viability system, whereby developers are able to negotiate down their affordable housing contributions, to hold communities to ransom and evade affordable housebuilding.

Councils have been restricted from borrowing to build affordable homes and government funding has decreased. The effects of this are worse in areas with high land prices, where the cost of land can swallow up larger proportions of the funding still available.

### **A FAIRER LAND SYSTEM**

Reforms to the land system must prioritise reducing unequal access to benefits that come with socially and economically developing our towns and cities. They should redistribute the unfair gains that landowners extract from development and use them for public good. There are three ways to do this - planning obligations, taxation, and public/community ownership – and reform in all three areas is needed.

**Recommendation: Following Scotland's lead, an English Land Commission should be established to identify policies for an equitable distribution of land, and land values, and a fairer land system.**

Reforming the planning system by closing viability loopholes, which enables developers to evade building affordable housing, and strengthening the obligations on developers are ways that land price increases can be collectivised. Developers would have to factor these more fixed contributions to affordable housing and other community benefits into their bids on land, making it cheaper overall.

**Recommendation: Close the viability loophole, and use the planning system to deliver more affordable housing.**

The taxation mechanisms which redistribute landowners' unfair gains can either involve capturing one-off increases in value that come with new development, or capturing some or all land value increases over time.

The first option would see landowners charged additional taxes related to the boost infrastructure investment gives to their property values. The second option would include capturing some/all land value increases on all land, including rural land. This would incentivise landowners to use their land for something productive and capture economic rent for the public purse.

Introducing a taxation on land ownership would also be an opportunity to improve business rates and council tax. Many of the problems with the current system arise from their entanglement of land's locational value and the value of the buildings on it, and the fact that they fall on occupiers, not owners.

**Recommendation: Implement taxation mechanisms to create a fairer distribution of the gains which accrue to landowners through public investment, and land value increases.**

However, a general land value tax may still mean access to areas of economic growth is dependent on a person's ability to afford the tax. The well-off would still be better able to benefit from improving job prospects, transport links and so on.

Direct intervention in the form of greater public and community ownership would help this. This would help to ensure that uplifts in land value are shared broadly.

**Recommendation: Increase non-private ownership of land through, for example, public housing and community land trusts.**

During an affordability crisis exacerbated by high land prices, however, the government is rapidly selling off publicly owned land to the highest bidder. Our research shows that the programme is only delivering 20% affordable homes and 6% socially rented homes on former public land. Moreover, the public land being sold is often in places with high land prices with the greatest housing need; in some London boroughs public bodies own over 20% of land. Instead of being sold off, surplus public land should be put to the service of long-term public good.

**Recommendation: End the fire sale public land, instead using surplus land to form the basis for a People's Land Bank. This should be used in partnership with communities to meet local need, primarily affordable housing. The freehold for public land should remain in the public sector, with long leases provided to Local Authorities, Housing Associations and community land trusts, increasing affordable housing**

**and providing long term income stream for the public sector. This would enable governments to begin to break the link between economic growth and housing unaffordability.**

The broken development model prices private land prohibitively high for anyone but speculative developers. Enabling government and communities to purchase land at existing use value would help, backed by compulsory purchase powers.

**Recommendation: Enable government and community bodies to purchase land at existing use values, to bolster the People's Land Bank.**



## 1. LAND AND HOUSING SUPPLY

The unique role of land in our economy has been ignored for several decades. However, as the severity of the housing crisis has grown, and become central to the public anger over falling living standards, this has begun to shift. Soaring house prices and rents, under-supply of social housing and increasing levels of homelessness have increased political pressure to act and have opened up a genuine debate about the critical role of land in the housing crisis.

This has been evident in the policies advanced by the two main parties. The Conservative manifesto of 2017<sup>1</sup> contained a proposal for a form of capturing landowners' windfall gains to fund infrastructure. In 2018, the Labour party went further and announced their intention to reform the compulsory purchase regime to get cheap land in to the hands of those who want to build affordable housing.<sup>2</sup>

This briefing shows how excessive land prices, driven by speculation, are making a significant contribution to the housing crisis, in ways which can hit the poorest most. It also shows how inflated land prices stymie attempts to solve the housing crisis, and how the current land system inflates prices in multiple ways, before exploring necessary solutions. This includes the vital first step of stopping the current sell-off of public land, and instead using public land to build the affordable homes that communities desperately need.

## 2. LAND FEVER: HOW LAND SPECULATION DISTORTS OUR HOUSING SYSTEM

Land is unique. Each piece of land is different, in its location, from any other. Land is also unique in the role it plays in the economy.

By far the largest factor in determining the value of land is where it is – the value of benefiting from being in that specific village, or part of a city. And what determines the value of a specific location? Investment – public, community and private – in place. The hospital, tram network, well-kept park, or workplace, which makes a place desirable to live in.

So a piece of land derives its value from what it is currently being used for and where it is in relation to other parts of the economy. In the UK system, this uniqueness gives landowners a huge degree of power and control over the price they can command for desirable sites, and particularly the sites in areas where there are high levels of demand for housing. Landowners have an excessive form of control which means that, almost without lifting a finger, they can swallow up huge amounts of the financial benefits of public, private and community investment.

If a new train line suddenly opens up the possibility of building houses on your field, that land quickly becomes extremely valuable, and vendors can pocket a lot of the benefit of that investment just by selling up to a developer. The right to build houses on your field is granted by the public, through planning permission, and the investment in the railway line was not your own, but the value of that planning permission – the ‘economic rent’ – accrues almost exclusively to you, the landowner.

The opportunity for landowners to extract this ‘economic rent’ grows along with the economy in an area, so as the desirability of an area, and job prospects, rise, so does landowners’ ability to extract economic rent from their land. Speculation in the UK housing market, with credit and investment flooding in, has pushed up house prices and land prices. This is exacerbated by the buyers of most big pieces of land – the big private, housing

developers – ‘baking in’ high house prices, and low levels of affordable housing, to their price calculation, so that they bid very high in order to secure land. Developers offer high prices for land, on the assumption that they can build expensive, private market homes, and drip-feed these homes onto the market, to keep prices high. Speculation in property markets has so far helped to ensure that there is almost always high demand for these homes from investors.

Naturally, landowners generally sell to the highest bidder. These highest bidders are those private, speculative housing developers who have bid highest on the assumption that they can sell the homes at sky-high prices.

And because land acquisition is usually the largest single cost in new housebuilding, the price the developer pays determines much of what happens on site. In a competitive market for land, the developer that makes the most bullish expectations of sale prices will be able to offer the landowner the most and secure the site. The frenzied bidding wars which ensue for prime sites favour developers who make the most cavalier assumptions about what they can afford to pay for land and still make a profit. These high bids for land drive developers to cut costs elsewhere – lower construction costs, little infrastructure, and less social housing.

As land values rise, and land’s worth as an asset increases, a ‘gold rush’ mentality leads to the increased purchase of housing as investment instead of homes, pushing up the cost of land even further. For example, in Greater Manchester the leaseholds on 1,318 properties are owned by international commercial organisations. As incomes in an area rise, access to mortgages gets easier and property investors pile in, and consequently developers become increasingly

optimistic about how much they can fetch for the houses they build. This creates recurring toxic feedback loops in areas with high land values, which push up house prices and rents far beyond what they need to be. And rather than new investment and credit rushing into an area to fund local businesses, instead excess lending flows to existing land and property, pushing property prices even further and resulting in far fewer jobs than investment in something productive like new small business, research and development (R&D) or factories.

There is growing evidence that the flexibility of the planning system means that after bidding high for land, developers use ‘viability assessments’ introduced in 2012 to the planning system to hold local authorities to ransom and argue down their contributions to affordable housing by threatening not to build.<sup>3</sup> It is crucial to remember, however, that this occurs because our approach to pricing land is upside down. Instead of community needs determining the financial windfall a landowner can expect, land prices dictate what the wider community gets from development.

This frenzy of speculation makes clear that, in the UK, landowners have too much power over what gets built in our communities. Instead of local need dictating what gets built on a site, land prices dictate what the wider community gets from development, and the result is an enormous housing affordability crisis in many places in the country. Once a piece of land has been bought by a developer for a sky-high price in the overheated land market, it can often make the production of anything but the most expensive homes for rent and sale loss-making.

### 3. HOW UNAFFORDABLE LAND DRIVES THE HOUSING CRISIS

Our new research shows the overall result of this dysfunctional land system. As prospects and incomes in an area improve, housing hardship for those on low to middle incomes almost inevitably increases.

Across multiple measures of the housing crisis – housing affordability, homelessness and the building of new social homes – our research shows that the housing crisis is at its worst in areas with higher land prices.<sup>4</sup> Excessive land prices, driven by speculation, are making a significant contribution to the housing crisis

This means that living in those places with the highest land prices has become increasingly difficult for people and families on ordinary incomes.

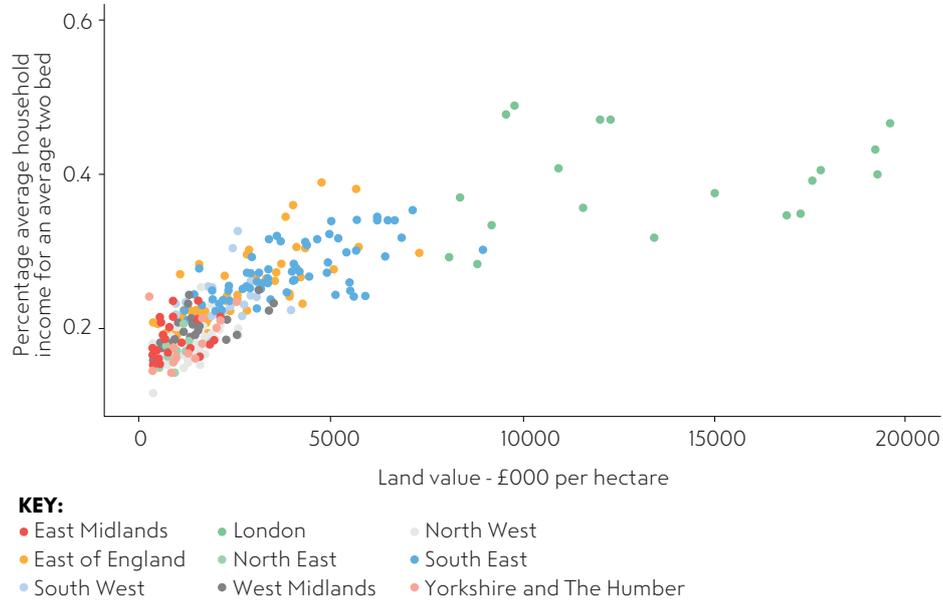
As Figure 1 shows, high land prices in an area mean that **rents eat up an almost unbelievable chunk of people's income.**

In local authorities with lower land prices, a typical two-person family would only have to spend around 20% of their pre-tax income to rent a two bed property; in the areas with higher land prices, this jumps to around 45-50%, and **in the top 10 areas with the most expensive land prices, this can cost up to three quarters of their pre-tax income.**

In those places with the highest land prices, **buying a home is simply unaffordable for those on middling incomes.** These households instead remain private renters, increasing demand for renting in areas already suffering from an overall lack of housing. As a result, those on lower incomes, with lower purchasing power, are no longer able to afford typical rents, with severe knock-on effects on their ability to access a home of their own at all.

Because of this, areas of high land prices are **hotspots for homelessness.** In 2015, the **top 10% of local authorities in terms of land prices accounted for 73% of households in temporary accommodation.**

**FIGURE 1. PROPORTION OF PRE-TAX HOUSEHOLD INCOME A TYPICAL TWO-PERSON FAMILY WOULD HAVE TO SPEND TO RENT AN AVERAGE TWO-BED PROPERTY BY ESTIMATED LAND PRICES PER HECTARE FOR EACH LOCAL AUTHORITY**



**TABLE 1. HOUSING INDICATORS FOR TOP 10 AND BOTTOM 10 LOCAL AUTHORITIES BY ESTIMATED LAND VALUE.**

Local authority	Region	Land value – £s per hectare	% of typical household income spent on rent	No. households in temporary accommodation
<b>Top 10 local authorities in estimated land value</b>				
Kensington and Chelsea	London	134,000,000	74%	1,806
Westminster	London	110,000,000	66%	2,435
Hammersmith and Fulham	London	65,000,000	49%	1,123
Islington	London	53,200,000	53%	924
Southwark	London	49,000,000	44%	1,183
Camden	London	41,600,000	53%	426
Richmond upon Thames	London	40,500,000	38%	241
Wandsworth	London	29,300,000	42%	1,139
Greenwich	London	28,700,000	38%	427
Lambeth	London	26,400,000	49%	1,817

TABLE 1 CONT.

Local authority	Region	Land value – £s per hectare	% of a typical household income spent on rent	No. households in temporary accommodation
<b>Bottom 10 local authorities in estimated land value</b>				
Knowsley	North West	400,000	18%	11
Redcar and Cleveland	North East	400,000	17%	25
North Lincolnshire	Yorkshire & The Humber	400,000	15%	NA
Fenland	East of England	400,000	21%	23
Copeland	North West	400,000	12%	NA
Amber Valley	East Midlands	400,000	16%	13
Bolsover	East Midlands	400,000	17%	NA
South Derbyshire	East Midlands	400,000	17%	8
Pendle	North West	400,000	15%	7
Bassetlaw	East Midlands	400,000	15%	NA

*Land values rounded to the nearest £100,000 per hectare.*

## 4. HOW UNAFFORDABLE LAND STYMIES ATTEMPTS TO SOLVE THE CRISIS

**G**rowing economies, increasing job prospects – signs of places on the right track it might seem. But these factors lead to higher housing costs, growing speculation in housing and land, and excessive land prices

Our research suggests that **not only do high land prices contribute to housing hardship for low- and middle-income people, they also stymie attempts to redress the housing crisis.** High land prices drive the crisis, and put up barriers to solving it.

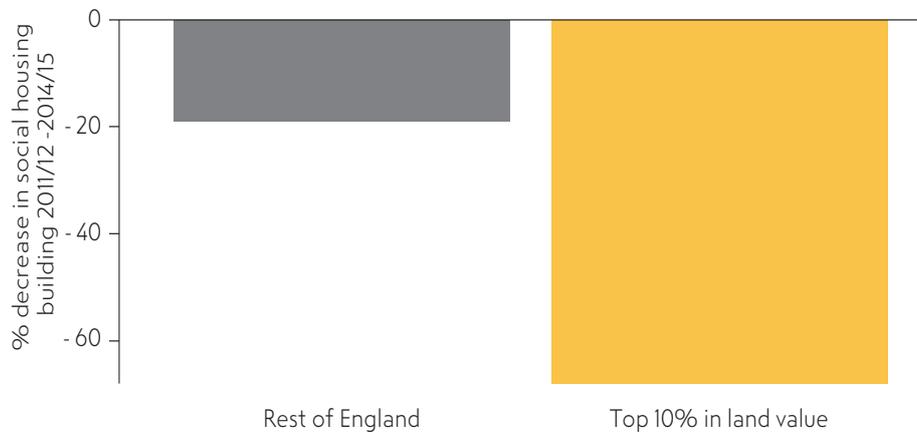
Building social housing – low-rent, non-market affordable homes – is the primary way in which the governments can, and have traditionally, improved the housing situation for people in deep housing need. However, our research shows that the building of affordable homes has plummeted in exactly those places which have the highest land prices and so need them most, to a greater extent than elsewhere.

**Between 2011/12 and 2014/15, the top 10% of local authorities in terms of land values experienced around a 70% drop in the numbers of new affordable/social rent homes (Figure 2). This compares to a drop of 20% in the rest of England.**

There are a number of likely factors behind this massive disparity, many of which are found in the excessive land pricing which has consumed our most economically successful places. All these symptoms stem from the high prices commanded for land in those areas by landowners. Policy choices have led to a greater dependence on private developers for housebuilding, and the hoarding of value by landowners prefigures the ultimate housing and infrastructure outputs of private sector development. In other words, in areas with high land prices, large landowners are able to hold communities to ransom – and this has driven the enormous drop in affordable housing output.

Evidence suggests that in areas with higher house prices and land prices, a greater proportion of affordable

**FIGURE 2. PERCENTAGE DECREASE IN NEW BUILD SOCIAL RENT AND AFFORDABLE RENT BETWEEN 2011/12 AND 2014/15<sup>7</sup> FOR TOP 10% OF LOCAL AUTHORITIES IN LAND VALUE AND THE REST OF ENGLAND.**



housing comes from the 'section 106' planning obligations that are imposed on developers by councils.<sup>5</sup> As we have seen, the speculative model of housing development used by the private sector means that developers negotiate down the level of affordable housing as much as possible. The introduction in 2012 of viability assessments as a means of private developers getting out of these contributions has made the squeezing of affordable housing levels even worse, with a greater impact in areas that are more dependent on private developer contributions.

Our reliance on private construction of affordable housing throughout the country is in part due to the fact that in 2012 council house stock-owning local authorities took over the management of council housing finance completely and caps were imposed on how much councils could borrow to fund housing.<sup>6</sup> This is widely acknowledged to have significantly stymied affordable housebuilding. In addition a large reduction in central government capital grant for social housing has seen an even greater reliance on private sector affordable housebuilding. Government grant fell from £8 billion in 2007 to £4.5 billion in 2010.

Whilst these policy choices have created a greater dependence on

private developers across the country, they are likely to have exacerbated this in areas with high land prices, where the cost of land swallows up much larger proportions of the funding available for affordable housing. Because of the cost of land, it costs significantly more to build social housing. This means councils and housing associations in these areas are increasingly locked out of accessing land and directly providing affordable housing simply because land is too expensive.

## 5. BUILDING A JUST LAND SYSTEM

Behind the housing crisis sits a crisis in the affordability of land. The power of landowners to set prices, and their capture of enormous windfall financial benefits for doing little other than owning a piece of land, skews our broken development model before a single brick has been laid. Any government serious about building a fairer housing system must start with the land that sits beneath it.

This section will outline approaches to resolving this broken system, before identifying a first step: **utilising surplus public land for affordable house building**. Surplus public land is currently being disposed of to the highest bidder, exacerbating the broken market, but represents a clear opportunity for affordable land for affordable housebuilding.

### 5.1 AN ENGLISH LAND COMMISSION

It is clear that reforms to our current land system must prioritise reducing inequality of access to the benefits that come with physically, socially and economically developing our towns and cities.

For all the winners in a growing economy, millions of people and families are suffering the increasing housing hardship which follows from improving prospects in an area. Redistributing the unfair gains that landowners currently extract when this happens will help. Policies designed to do this should reduce the incentives to hold on to land and property and put windfall gains to public use instead. There are three ways to do this: planning obligations, taxation, and public and community ownership.

In 2016, the Scottish Land Commission was established by the Scottish government to devise policy to increase the productivity, diversity and accountability of land and land ownership. **The government should follow this lead, and establish an English Land Commission to design a strategy for a fairer, more inclusive, system of land and land ownership.**

### 5.2 PLANNING OBLIGATIONS

Reforming the planning system to close viability loopholes, and introducing more zone-based planning to get more

affordable housing and infrastructure, could increase affordable housing output. Developers would have to factor this into their land prices, which should make land cheaper overall, and transfer value to the public good.

**Close the viability loophole, and use the planning system to deliver more affordable housing.**

### **5.3 TAXATION**

The government should implement taxation mechanisms to create a fairer distribution of the gains which accrue to landowners through public investment, and land value increases. There are two approaches to taxation focusing on either i) **capturing the one-off increase in value that comes with new development, or ii) capturing all increases in land value over time.**

Firstly, if new infrastructure makes land more accessible and therefore valuable, landowners could be charged additional taxes that are related to the boost this gives to their property prices. Local authorities could borrow against this future income stream to finance building the infrastructure, following the example of places like Portland (USA), who used this to fund an urban rail line extension.<sup>8</sup> This is effectively a localised version of a traditional land value tax that charges landowners based on the locational value of the land they own.

The second option involves applying this taxation or charge system more broadly to include all land that already has property on it and rural land – not just land near places receiving large public investments. This could incentivise landowners to use their land for something productive and capture economic rent for the public purse.<sup>9</sup> This would be an opportunity to change business rates and council tax for the better. Much of their

undesirable impacts come from the fact that they bundle together the locational value of land and the value of the buildings on it, and fall on occupiers as opposed to owners.<sup>10</sup>

**Implement taxation mechanisms to redistribute unfair gains which accrue to landowners through public investment and land value increases.**

### **5.4 PUBLIC AND COMMUNITY OWNERSHIP**

A land value tax may still not answer the crucial problem of unequal access to local investment and the improved amenities and prospects which come with it, as this would still depend on an ability to pay. To build the levels of affordable housing needed and to ensure that it retains its affordable nature in perpetuity, more direct intervention in land ownership may be necessary. This would help to ensure that uplifts in land value are shared broadly, and collectively.<sup>11</sup> Collective, democratic ownership can take the form of scaling up and growing public ownership and community ownership models, like community land trusts and public housing.

**Increase non-private ownership of land through collective democratic ownership. This could take the form of public or community ownership models.**

If public and community bodies have to compete with developers in the current bidding frenzy for land, the cost of land will be too high for them to provide sustainable, affordable homes. The construction of new towns in post-war Britain shows the benefit of the public purchasing land at existing use value instead, providing cheaper land and so more affordable homes.<sup>12</sup> The option of using Compulsory Purchase Orders would provide an incentive for landowners to sell at this lower price.

**Enable government and community bodies to access land at existing use values backed by Compulsory Purchase Orders.**

While these reforms are urgent, in the short term, public land is a good place to start, as the government can easily dictate how much land the bodies that hold it should sell for, or can directly build affordable houses on it with lower or no land costs.

However, in the midst of a crisis rooted in a severely inflated land market, the government is pursuing a policy of aggressively selling off publicly owned land to the highest bidder. The land sell off is designed to plug budgetary gaps, creating capital receipts for the public sector and stimulating the supply of housing. However, our analysis has shown that the land sell off is not working for those in the greatest housing need. It is 12 years behind schedule, and only delivering 20% affordable housing nationally, and 6% social rental homes.<sup>13</sup>

In selling off the land, the government is missing a key opportunity to provide a pipeline of land for affordable housebuilding and to start reducing the negative housing consequences of local economic growth and improved prospects. This is especially true as surplus public land is often in places with the highest land values, and so the worst housing crises and the greatest need for affordable housing – in some London boroughs 20% of the land is owned by the government, for example.<sup>14</sup> We have demonstrated that on just 10 of the public land sites currently up for sale, 4,631 good quality, low cost rented homes could be built in places with severe affordability crises.<sup>15</sup> Unfortunately, current policy is to sell land off to the highest bidder in order to plug public bodies' budgets, with recent NEF research showing that only one in 10 of the homes built on

sold-off NHS land will be for genuinely affordable social rent.<sup>16</sup>

These public assets, especially in urban areas, are the first place to start putting land into the service of long-term public good. Instead of selling it off, public land should be put into a People's Land Bank to be used strategically in partnership with communities to meet their needs. The freehold for public land should remain in the public sector, with long leases provided to Local Authorities, Housing Associations and community land trusts, increasing affordable housing and providing long term income streams for the public sector.

**The public land sale should be stopped, and the land instead used to form the basis for a People's Land Bank, to be used strategically in partnership with communities to meet their needs, primarily affordable housing**

This must be the first step on the road to genuine, far-reaching and permanent changes to how we deal with land. Anything else will fail to deal with the heart of the UK's housing crisis, as it will leave in place a land system in which community interest is ridden roughshod over, in favour of enormous windfall gains for landowners, and what gets built will consistently fail to meet local need.

## TECHNICAL APPENDIX

This section details how the statistics in this briefing were calculated. It covers technical issues around estimating land values, housing affordability and social housing building.

### ESTIMATING LOCAL LAND VALUES

Land can be valued in several ways, the simplest being looking at the price it is currently trading for. The Land Registry records transactions of land but only covers around 80% of land in England and Wales. Crucially, information on the price paid for individually owned land can currently only be accessed by paying for information on a site-by-site basis. Recently, records for commercial ownership were released for the first time but these are still subject to some moderately severe limitations, largely due to the lack of site boundaries caused by the fact that Ordnance Survey owns this information.<sup>17</sup> In addition there is little or no information published on the options market for land.

Data on land values were published by the Valuation Office Agency between 1983 and 2010 but this has since ceased. To produce these a surveyor estimated what a 'typical' greenfield site in each location would be worth, assuming typical affordable housing contributions. Apart from proprietary indices based on agents' intelligence by for example, Savills, the most recent estimations were produced by the Department for Communities and Local Government (DCLG) in 2015. This was done using an approximate 'residual land value' model that starts with house prices and subtracts costs associated with development, assuming relatively simple to build sites with no affordable housing contribution.

These values are used in this briefing to understand how housing indicators vary by land prices. Although these values are for policy appraisal purposes and do not claim to reflect market values, they provide some way of comparing local authorities based on the most up-to-date evidence on the cost of land.

Trying to understand the impact of the land price associated with economic rent however, leads to deeper questions about how to value land. Even if market

transaction data were fully available, it would be unclear how much of the price paid was down to the location of the land as opposed to other factors associated with the cost of development – including planning requirements. This suggests that estimating land values for the purpose of land value capture should use a modified form of a residual model that starts with house prices, as was developed in a study for Oxford County Council.<sup>18</sup>

### HOUSING INDICATORS

This analysis attempts to understand if there is a relationship between the cost of land in a local authority and signs that local people may be under housing pressures. As the estimates of land values used are derived from house prices, it is not possible to see if there is a correlation between them and house prices in the local authority.

The indicators used are as follows.

#### Rent to income ratios

This is a basic measure of housing affordability. It is a calculation of what proportion of gross income a hypothetical family with one full-time earner, one part-time earner and two children might be expected to spend on rent. Rents, taken as the median for a two-bed in the relevant local authority, are taken from the Valuation Office Agency.<sup>19</sup> Full-time and part-time weekly incomes by local authority are taken from the 2015 Annual Survey of Hours and Earnings.<sup>20</sup>

#### Households in temporary accommodation

There are multiple ways of measuring homelessness, including the number of households accepted as homeless by a local authority. Acceptances, however, can vary considerably based on the approach to and amount of homelessness prevention work a council does. A more robust statistic to measure homelessness is the number of households placed in temporary accommodation, taken from MHCLG live tables.<sup>21</sup>

This is because for the period covered by this analysis, this group represents those with the clearest legal housing duty owed to them by local authorities and hence is the most stable definition of homelessness across councils. Many people facing homelessness are missed by this data, however, including those not meeting the legal definition for 'priority need' and those who are staying with friends or family through their period of homelessness.

#### Net new build social housing

As with homelessness, there are multiple ways of measuring affordable housing supply. This is complicated by the introduction of new types of social housing across years. In addition, the stock of social housing is added to via building new homes or the purchase of existing homes by social housing providers. As the most direct relationship land has on the level of social housing in an area is via new supply, data in this analysis focuses on the change in the number of newly built social housing in a given year.

The definition of social housing used in this analysis includes both 'affordable rent' and 'social rent' new build completions. With the election of the coalition government, there was both a reduction in capital grant in 2011 and a shift in central government grant to funding affordable rent homes instead of social rent.<sup>22</sup> Also, in 2012 the management of council housing finance was handed over completely to stock owning local authorities, with some councils taking on debt held by the central government and some having their debt reduced.<sup>23</sup>

The net reduction in social housebuilding in a local authority is therefore calculated between 2011-2012 and 2014-2015 in order to account for the varying impact of these policies across councils. Data is taken from MHCLG's Live Table 1011C.<sup>24</sup>

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